

Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 AEC-05 AID-05 CEA-01 CIAE-00 CIEP-01

COME-00 DODE-00 EB-07 FPC-01 H-01 INR-07 INT-05 L-02

NSAE-00 NSC-05 OMB-01 PM-03 RSC-01 SAM-01 OES-03

SP-02 SS-15 STR-01 TRSE-00 FRB-01 FEA-01 INRE-00

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FM AMEMBASSY OTTAWA

TO SECSTATE WASHDC IMMEDIATE 5374

INFO AMCONSUL CALGARY

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E.O. 11652: N/A

TAGS: ENRG, CA, US

SUBJ: ENERGY: POTENTIAL CANADIAN CURTAILMENT OF NATURAL
GAS EXPORTS

REF: STATE 005888

1. EMBOFF DISCUSSED MATTER OF DECREASED U.S. DEMAND
FOR PLANT CONDENSATE AND CONSEQUENT EFFECT ON
NATURAL GAS PRODUCTION AND EXPORTS WITH NATIONAL
ENERGY BOARD (NEB) ASSOCIATE VICE CHAIRMAN STABBACK
UPON RECEIPT OF REFTEL. STABBACK WAS THOROUGHLY
FAMILIAR WITH SUBJECT AND DESCRIBED THE POTENTIAL
FOR CANADIAN PRODUCTION CUTBACKS AS "VERY SERIOUS."

2. STABBACK INFORMED EMBOFF THAT NEB TECHNICAL REPS
TO MEETING ON TURNOVER OF IMPORT ALLOCATION RESPONSIBILITY
WITH FEA IN WASHINGTON JANUARY 14 INTEND TO DESCRIBE
THE TECHNICAL PROBLEMS IN THIS MATTER AND EXPRESS
CANADIAN CONCERNS AS A SUPPLEMENTAL AGENDA ITEM.
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(NEB REPS WILL BE SCOTCHMER, DIRECTOR OF OIL POLICY

BRANCH; PORTER, CHIEF OF EXPORT PROGRAM DIVISION;
AND BUCHHOLZ, CHIEF, RESEARCH DIVISION.)

3. STABBACK, WHO SAID HE HAD BEEN DISCUSSING PROBLEM WITH ALBERTA AUTHORITIES THIS MORNING, ALSO INFORMED EMBOFF THAT IT WAS INTERPROVINCIAL PIPE LINE (IPL) THAT HAD DECIDED THAT PRODUCTION OF PLANT CONDENSATE HAD TO BE CURTAILED BY 25,000 B/D, AND NOT RPT NOT THE ALBERTA ENERGY RESOURCE CONSERVATION (ERCB). THE ERCB, HE SAID, DOES NOT PRESENTLY HAVE THE MEANS IN PRACTICE TO SHUT-IN OR ALLOCATE CONDENSATE PRODUCTION AS IT HAS WITH REGARD TO CRUDE OIL PRODUCTION. HE ADDED THAT REGARDLESS OF WHO DECIDED ON THE CUTBACKS, HOWEVER, THE RESULTS ARE IDENTICAL.

4. ACCORDING TO STABBACK, IPL, WHICH NORMALLY DELIVERS 120,000 B/D OF CONDENSATE TO THE U.S., EXPERIENCED A SHORTFALL IN U.S. DEMAND IN DECEMBER OF 10,000 B/D, IS FACED WITH A FURTHER INVENTORY BUILD-UP OF 10,000 TO 15,000 B/D IN JANUARY, AND IS RAPIDLY APPROACHING FULL STORAGE CAPACITY; HENCE THE REQUEST FOR A 25,000 B/D CUTBACK.

5. STABBACK NOTED FOR BACKGROUND THAT CONDENSATE PROBLEM EXACERBATED BY FACT THAT WHILE CONDENSATE IS MOST DESIRABLE TO REFINERS IN SUMMER MONTHS AS A FEEDSTOCK FOR GASOLINE PRODUCTION, MOST PRODUCTION OCCURS IN WINTER MONTHS WITH GREATER DEMAND FOR NATURAL GAS PRODUCTION.

6. IN CONCLUDING THE CONVERSATION, STABBACK STATED THAT THE ALBERTA AUTHORITIES WERE PUTTING "GREAT HOPE AND TRUST" IN THE NEB'S ABILITY TO CONVINCE THE FEA THAT PLANT CONDENSATE SHOULD BE INCLUDED IN THE U.S. CRUDE OIL IMPORT ENTITLEMENT PROGRAM.

7. STABBACK SAID IT WAS IMPOSSIBLE AT THIS MOMENT TO SAY WHAT THE DIMENSIONS OF NATURAL GAS CURTAILMENT MIGHT HAVE TO BE IN THE EVENT THE CONDENSATE PROBLEM IS NOT RESOLVED, BUT THE CUTBACK "COULD BE" SIGNIFICANT.
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HE PROMISED TO KEEP THE EMBASSY INFORMED OF DEVELOPMENTS, BUT HOPES PROGRESS CAN BE MADE AT THE JANUARY 14. MEETING IN WASHINGTON. PORTER

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